Issued unde	er P.A. 2 of 19	68, as amer	dures Repo	ort			
Local Gove	ernment Type Town		Village Other	Local Government Name Township of Eagle		County Clinton	
Audit Date 3/31/05	}		Opinion Date 7/8/05	Date Accountant Rep	ort Submitted to State:		
accordan	ice with th	e Statem	ents of the Govern	local unit of government and remental Accounting Standards of Government in Michigan by	Board (GASB) and the	Uniform Repo	
We affirn	n that:						
1. We h	nave comp	lied with t	he Bulletin for the Au	dits of Local Units of Governme	nt in Michigan as revise	d.	
2. We a	are certified	d public a	ccountants registered	I to practice in Michigan.			
	er affirm thes s and reco		•	ave been disclosed in the financ	cial statements, including	g the notes, or in	the report of
You must	check the	applicabl	e box for each item b	elow.			
Yes	√ No	1. Cert	ain component units/	funds/agencies of the local unit	are excluded from the fi	nancial stateme	ents.
Yes	√ No		re are accumulated of 1980).	deficits in one or more of this u	unit's unreserved fund b	oalances/retained	d eamings (P.A
√ Yes	☐ No		re are instances of r	non-compliance with the Unifor	rm Accounting and Bud	dgeting Act (P.A	. 2 of 1968, as
Yes	√ No			ted the conditions of either ar rissued under the Emergency N		ne Municipal Fir	nance Act or its
Yes	✓ No		•	osits/investments which do not 1], or P.A. 55 of 1982, as amend		requirements. (F	P.A. 20 of 1943
Yes	√ No	6. The	local unit has been o	delnquent in distributing tax reve	enues that were collected	d for another tax	king unit.
Yes	✓ No	7. pens	sion benefits (normal	ed the Constitutional requirement costs) in the current year. If the normal cost requirement, no co	ne plan is more than 10	00% funded and	the overfunding
Yes	✓ No		local unit uses cred L 129.241).	lit cards and has not adopted	an applicable policy as	s required by P.	A. 266 of 1995
Yes	✓ No	9. The	local unit has not add	opted an investment policy as re	equired by P.A. 196 of 1	997 (MCL 129.9	5).
We have	enclosed	the follo	wing:		Enclosed	To Be Forwarded	Not Required
The lette	r of comm	ents and	recommendations.		✓		
Reports	on individu	ıal federa	financial assistance	programs (program audits).			✓
Single A	udit Repor	ts (ASLGI	J).				

Certified Public Accountant (Firm Name)				
Abraham & Gaffney, P.C.				
Street Address		City	State	ZIP
3511 Coolidge Road, Suite 100		East Lansing	MI	48823
Accountant Signature Chraham : Lobbary, P.C.	Acron M.	Stores	Date 9 (17	ઝેલ્ડ

Township of Eagle Clinton County, Michigan

FINANCIAL STATEMENTS

March 31, 2005

Clinton County, Michigan

March 31, 2005

BOARD OF TRUSTEES

David Morris	Supervisor
Wendy Simmons	Clerk
Patti Schafer	Treasurer
Steve Colby	Trustee
Mark Therrian	Trustee

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Principals

Dale J. Abraham, CPA Michael T. Gaffney, CPA Steven R. Kirinovic, CPA Aaron M. Stevens, CPA Eric J. Glashouwer, CPA



3511 Coolidge Road Suite 100 East Lansing, MI 48823 (517) 351-6836 FAX: (517) 351-6837

INDEPENDENT AUDITOR'S REPORT

Members of the Township Board Township of Eagle Eagle, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining information of the Township of Eagle, Michigan as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Eagle's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit and the audit of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining information of the Township of Eagle, Michigan as of March 31, 2005, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information, as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Eagle's financial statements. The accompanying other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

abrahan & Molbrey, P.C.

ABRAHAM & GAFFNEY, P.C. Certified Public Accountants

July 8, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2005

Financial Reporting

The standards set by the Governmental Accounting Standards Board (GASB) are intended to give the reader of this annual financial report a better understanding of the financial status of the Township of Eagle, Michigan (the Township). This report presents a much broader picture of the Township's financial status. Through this comprehensive reporting of assets and liabilities, the reader should have a greater understanding of the Township's financial health.

The discussion and analysis of the Township's financial performance provides an overview of the Township's financial activities for the fiscal year ended March 31, 2005. Please read it in conjunction with the Township's financial statements.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended March 31, 2005:

- The assets of the Township of Eagle exceeded its liabilities at the close of the most recent fiscal year by \$404,184 (net assets).
- Of this amount, \$217,918 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$41,778.
- Property tax revenues decreased approximately \$16,291 from the prior year. The decrease is the result
 of now calculating the Emergency Services Assessment on the taxable value instead of the State
 Equalized Value (SEV).

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Township of Eagle as a whole and present a longer-term view of the Township's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the operations of the Township of Eagle in more detail than the government-wide financial statements by providing information about the Township's most significant funds.

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2005

The Township as a Whole

The following table shows, in a condensed format, the net assets as of March 31, 2005.

Accets	<u>2004</u>	<u>2005</u>
Assets Current assets	\$ 167,159	\$ 202,177
Noncurrent assets Advance to fiduciary fund	18	_
Equity interest in LGRFA	750,955	708,400
Capital assets, net	 6,297	 5,147
Total noncurrent assets	 757,270	 713,547
Total assets	924,429	915,724
Liabilities		
Current liabilities	55,636	59,196
Long-term liabilities	 506,387	 452,344
Total liabilities	 562,023	 511,540
Net Assets Invested in capital assets,		
Net of related debt	158,748	186,266
Unrestricted	 203,658	 217,918
Total net assets	\$ 362,406	\$ 404,184

The Township's total net assets were \$404,184 at March 31, 2005, an increase of approximately 12% from a year ago. Unrestricted net assets (the part of net assets that can be used to finance day-to-day operations) increased by \$14,260 to \$217,918 at the end of the fiscal year. The net asset invested in capital assets, net of related debt increased \$27,518 to \$186,266 at the end of the fiscal year. The current level of unrestricted net assets for governmental activities stands at approximately 52% of annual expenses.

The following table shows the changes in net assets during the current year.

	<u>2004</u>		<u>2005</u>	
Revenue				
Charges for services	\$	48,829	\$ 78,819	
Operating grants and contributions		1,211	4,266	
Capital grants and contributions		13,000	-	
Property taxes		217,501	214,258	
State shared revenue		151,052	150,456	
Investment earnings		4,642	3,680	
Other revenue		4,411	 8,089	
Total Revenue		440,646	459,568	

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2005

	2004		<u>2005</u>	
Expenses				
General government	\$	105,783	\$	118,729
Public safety		677,198		197,156
Public works		88,183		21,854
Health and welfare		112,299		20,825
Other		36,557		41,754
Interest on long-term liabilities	_	18,016	_	17,472
Total program expenses	1	,038,036	_	417,790
Change in Net Assets	\$(597,390)	\$	41,778

Governmental Activities

The Township's governmental revenues totaled \$459,568 with the greatest revenue source being property taxes. Property taxes make up approximately 46.6 percent of total governmental revenue. Over the past few years, state shared revenue and interest income have both declined.

The Township incurred expenses of \$417,790 during the year. The majority of governmental expense is associated with the public safety function and represents approximately 47% of total expenses. The public safety function includes emergency services.

The Township's Funds

The analysis of the Township's major funds begins on page 3, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the Township of Eagle as a whole. The Township of Eagle's Board of Trustees creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as property tax millages. The Township's major funds for the fiscal year ended March 31, 2005 include the General Fund and the Emergency Services Fund.

General Fund Budgetary Highlights

Over the course of the fiscal year, the Township Board made necessary budget adjustments to fund unanticipated expenditures during the year. The Township Board reduced the emergency management budget with the public safety function in the General Fund by approximately \$24,000, as these expenditures were primarily incurred in the Emergency Services Fund in 2005.

Capital Asset and Debt Administration

At the end of the fiscal year, the Township had approximately \$713,000 invested in a broad range of capital assets, including buildings, land, equipment, and capital assets held by the Looking Glass Regional Fire Authority, a joint venture that the Township of Eagle participates in with the Charter Township of Watertown. In addition, the Township has made certain investments in roads and drains within the Township of Eagle. These assets are not reported in the Township of Eagle's fund statements, because under Michigan law, these roads and drains are the property of the Clinton County Road and Drain Commissions, respectively.

The Township had two notes payable outstanding at the end of the fiscal year, the proceeds of which were used to finance a portion of the Looking Glass Regional Fire Authority capital project. During the year, principal payments reduced the total outstanding balance by approximately \$52,000. The remaining notes payable totaled \$506,631 as of March 31, 2005.

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2005

Current Economic Factors

Revenue sharing is the most significant budgetary concern at this time. The State of Michigan is experiencing significant financial issues, and as they look for solutions, revenue sharing continues to be under attack.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Township's finances and demonstrate the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Township Clerk or Treasurer.

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET ASSETS

March 31, 2005

		vernmental Activities
ASSETS		
Current assets		
Cash and cash equivalents	\$	147,456
Accounts receivable		10,354
Due from other governmental units -		
Local		19,047
State		23,368
Prepaid expenses	-	1,952
Total current assets		202,177
Noncurrent assets		
Equity interest in Looking Glass Regional Fire Authority		708,400
Capital assets, net		5,147
Total noncurrent assets		713,547
TOTAL ASSETS		915,724
LIABILITIES		
Current liabilities		
Accounts payable		3,417
Accrued interest payable		1,492
Current portion of long-term debt		54,287
Total current liabilities		59,196
Noncurrent liabilities		
Noncurrent portion of long-term debt		452,344
TOTAL LIABILITIES		511,540
NET ASSETS		
Invested in capital assets, net of related debt		186,266
Unrestricted		217,918
TOTAL NET ASSETS	\$	404,184

See accompanying notes to financial statements.

STATEMENT OF ACTIVITIES

				Program	Revenue	s		t (Expense) evenue and
				arges for		ting Grants		hanges in
Functions/Programs	E	xpenses	S	ervices	and Contributions		Net Assets	
Governmental activities:	_		_		_			
General government	\$	118,729	\$	34,093	\$	-	\$	(84,636)
Public safety		197,156		42,487		-		(154,669)
Public works		21,854		-		4,266		(17,588)
Health and welfare		20,825		2,239		-		(18,586)
Other		41,754		-		-		(41,754)
Interest on long-term debt		17,472						(17,472)
Total governmental activities	\$	417,790	\$	78,819	\$	4,266		(334,705)
	General	revenues:						
	Prope	rty taxes						214,258
	State	shared revenu	ie					150,456
	Invest	ment earnings	3					3,680
	Other							8,089
	То	tal general rev	enues					376,483
			Change	in net assets				41,778
	Net ass	ets, beginning	of the ye	ear				362,406
	Net ass	ets, end of the	year				\$	404,184

GOVERNMENTAL FUNDS BALANCE SHEET

March 31, 2005

	 General	nergency ervices	N Gov	Other onmajor ernmental Funds	Gov	Total vernmental Funds
ASSETS Cash and cash equivalents Accounts receivable Prepaid expenditures	\$ 62,942 2,901 1,952	\$ 67,076 7,453	\$	17,438 - -	\$	147,456 10,354 1,952
Due from other governmental units - Local State	8,631 23,368	 10,333		83		19,047 23,368
TOTAL ASSETS	\$ 99,794	\$ 84,862	\$	17,521	\$	202,177
LIABILITIES AND FUND BALANCES LIABILITIES Accounts payable	\$ 575	\$ 2,700	\$	142	\$	3,417
FUND BALANCES Reserved for: Prepaid expenditures Unreserved	1,952	-		-		1,952
Undesignated, reported in: General fund Special revenue funds	 97,267	 - 82,162		17,379		97,267 99,541
TOTAL FUND BALANCES	 99,219	82,162		17,379		198,760
TOTAL LIABILITIES AND FUND BALANCES	\$ 99,794	\$ 84,862	\$	17,521	\$	202,177

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS

March 31, 2005

Total fund balances - governmental funds

\$ 198,760

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.

The cost of capital assets is Accumulated depreciation is

85,557 (80,410)

Capital assets, net

5,147

Equity interest in the Looking Glass Regional Fire Authority are not current financial resources and therefore is not reported as a asset in the governmental funds.

708,400

Long-term liabilities are not due and payable in the current period and therefore are not reported in the Governmental Funds Balance Sheet. Long-term liabilities at year-end consist of:

Direct Township obligations

(506,631)

Long-term liabilities are not due and payable in the current period and therefore are not reported in the Governmental Funds Balance Sheet. Long-term liabilities at year-end consist of:

Accrued interest payable

(1,492)

Net assets of governmental activities

\$ 404,184

See accompanying notes to financial statements.

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

			Other	
			Nonmajor	Total
		Emergency	Governmental	Governmental
	General	Services	Funds	Funds
REVENUES				
Taxes	\$ 111,125	\$ 127,450	\$ 1,320	\$ 239,895
Licenses and permits	2,321	-	-	2,321
Intergovernmental	150,456	-	4,266	154,722
Charges for services	1,350	2,239	-	3,589
Interest and rents	5,355	335	150	5,840
Other	10,714	42,487	-	53,201
TOTAL REVENUES	281,321	172,511	5,736	459,568
EXPENDITURES				
Current				
General government	112,719	_	-	112,719
Public safety	3,475	151,126	-	154,601
Public works	14,434	-	7,420	21,854
Health and welfare	-	20,825	-	20,825
Other	41,754	-	-	41,754
Capital outlay	4,860	-	-	4,860
Debt service	69,636	-		69,636
TOTAL EXPENDITURES	246,878	171,951	7,420	426,249
EXCESS OF REVENUES OVER				
(UNDER) EXPENDITURES	34,443	560	(1,684)	33,319
Fund balances, beginning of year	64,776	81,602	19,063	165,441
Fund balances, end of year	\$ 99,219	\$ 82,162	\$ 17,379	\$ 198,760

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended March 31, 2005

Net change in fund balances - total governmental funds

\$ 33,319

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay 1,200 Depreciation expense (2,350)

Excess of depreciation expense over capital outlay

(1,150)

Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Debt principal retirement

52,048

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Decrease in equity interest in Looking Glass Regional Fire Authority

Decrease in accrued interest payable

(42,555)

(42,439)

Change in net assets of governmental activities

\$ 41,778

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

March 31, 2005

NOTE A: DESCRIPTION OF TOWNSHIP OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Eagle Township, Michigan was organized as a Township under provisions of the constitution and general law of the State of Michigan. The Township is one of sixteen (16) townships in Clinton County. The Township operates under an elected Township Board which consists of a Supervisor, Clerk, Treasurer, and two trustees, and provides services to its residents in many areas including fire protection, roads, and planning.

Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement No. 14, The Financial Reporting Entity; and Statement on Michigan Governmental Accounting and Auditing No. 5, these financial statements present all financial activities of the Township of Eagle. The Township has no activities that would be classified as component units.

The inclusion of the activities of various agencies is based on the manifestation of oversight criteria, relying on such guidelines as the selection of the governing authority, the designation of management, the ability to exert significant influence on operations, and the accountability for fiscal matters. The accountability for fiscal matters considers the possession of the budgetary authority, the responsibility for surplus or deficit, the controlling of fiscal management, and the revenue characteristics, whether a levy or a charge. Consideration is also given to the scope of public service. The scope of public service considers whether the activity is for the benefit of the reporting entity and/or its residents and is within the geographic boundaries of the reporting entity and generally available to its citizens.

Based upon the application of these criteria, the financial statements of Eagle Township contain all the funds controlled by the Township Board.

2. Joint Venture

Looking Glass Regional Fire Authority (the Authority) was established by the Township of Eagle and the Charter Township of Watertown. The Authority was incorporated in October 2001, under the provisions of Act 7, Public Acts of 1967, known as the Urban Cooperation Act of 1967. The Authority is governed by a board composed of the residents of each of the constituent Townships. The Authority was formed to operate, maintain, administer, and manage a joint fire department for the benefit of constituent municipalities. The Township of Eagle currently is represented by two (2) of the five (5) members of the Authority board. The Township of Eagle's equity interest in the Authority was \$708,400.

The members of the Authority and percentage of responsibility are as follows:

Eagle Township 35% Watertown Township 65%

Financial statements of the Authority can be received from the Authority's administrative office.

Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the government-wide statements) present information for the primary government units as a whole. All nonfiduciary activities of the primary government are included (i.e., fiduciary fund activities are not included in the government-wide statements). For the most part, interfund activity has been eliminated in the preparation of these statements.

NOTES TO FINANCIAL STATEMENTS

March 31, 2005

NOTE A: DESCRIPTION OF TOWNSHIP OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Basis of Presentation - continued

The statement of activities presents the direct functional expenses of the primary government and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State revenue sharing payments and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

FUND FINANCIAL STATEMENTS

The fund financial statements present the Township's individual major funds and aggregated nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The major funds of the Township are:

- a. The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government except for those that are required to be accounted for in another fund.
- b. The Emergency Services Fund is used to report emergency services that are financed primarily by property taxes or activities where periodic measurement of net income is appropriate for capital maintenance, public policy, management and control, or other purposes.

4. Measurement Focus

The government-wide financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

5. Basis of Accounting

Basis of accounting refers to when revenues and expenditures/expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). The length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements is 60 days. Revenues that are considered measurable but not available are recorded as a receivable and deferred revenue. Significant revenues susceptible to accrual are property taxes, special assessments, and certain intergovernmental revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

NOTES TO FINANCIAL STATEMENTS

March 31, 2005

NOTE A: DESCRIPTION OF TOWNSHIP OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

5. Basis of Accounting - continued

Private-sector standards of accounting and financial reporting issued to December 1, 1989, generally are followed in both the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The Township has elected not to follow subsequent private-sector guidance.

6. Cash and Cash Equivalents

Cash and cash equivalents consist of checking, savings, and public funds money market accounts.

7. Property Tax

The Township of Eagle bills and collects both its own property tax levy and the tax levy for other governmental units. The Township's property tax revenue recognition policy and related tax calendar disclosures are highlighted in the following paragraph:

Property taxes are levied twice per year. A summer tax is levied on July 1 and a winter tax is levied on December 1. The tax levies are due September 14 and February 14, respectively. All taxes not paid by their due dates are deemed delinquent. Delinquent real property taxes are turned over to the Clinton County Treasurer on March 1 of the year following the levy. The Clinton County Treasurer remits payment to all taxing units on all delinquent real property taxes. Delinquent personal property taxes are retained by the Township for subsequent collection. Property taxes are recognized as revenues in the period for which they are levied.

The Township is permitted to levy up to \$1 per \$1,000 of assessed valuation for general governmental services and additional amounts for emergency services operations. For the year ended March 31, 2005 the Township levied 1.0000 and 1.5000 mills per \$1,000 of assessed valuation for general governmental services and emergency services, respectively. The total taxable value for the 2004 levy for property within the Township was \$84,960,271.

8. Receivables

Receivables consist of amounts due from governmental units for various financial assistance programs and State shared revenues and accounts receivable related to charges for services.

9. Capital Assets

Capital assets include buildings and equipment and are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental activities column. Capital assets are those with an initial individual cost of \$1,000 or more and an estimated useful life of more than one year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Buildings 40 years Equipment 3 - 20 years

NOTES TO FINANCIAL STATEMENTS

March 31, 2005

NOTE A: DESCRIPTION OF TOWNSHIP OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

10. Budgets and Budgetary Accounting

The General Fund and Emergency Services Fund budgets shown as required supplementary information to the financial statements were prepared on a basis consistent with the basis used to reflect actual results.

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Prior to April 1, the budget is legally adopted on a departmental (activity) level for the General Fund through passage of a Board resolution. After the budget is adopted all transfers of budgeted amounts between activities, or any revisions that alter the total expenditures of the fund or activity, must be approved by the Township Board.
- b. Formal budgetary integration is employed as a management control device during the year.
- c. The Township does not employ encumbrance accounting as an extension of formal budgetary integration. Appropriations unused at March are not carried forward to the following fiscal year.
- d. Budgeted amounts are reported as originally adopted or amended by the Township Board during the year.

11. Long-Term Obligations

Long-term debt and other long-term obligations are recognized as a liability in the government-wide financial statements when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as long-term.

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated in the General Fund for a payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

12. Comparative Data

Comparative data for the year has not been presented in the accompanying financial statements since the inclusion of comparative data would make the statements unduly complex and difficult to read.

NOTE B: CASH AND CASH EQUIVALENTS

In accordance with Michigan Compiled Laws, the Township is authorized to invest in the following investment vehicles:

- 1. Bonds, securities, and other obligations of the United States or any agency or instrumentality of the United States.
- 2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered band or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of the State or the United States, but only if the bank, savings and loan association, savings bank, or credit union is eligible to be a depository of surplus funds belonging to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.

NOTES TO FINANCIAL STATEMENTS

March 31, 2005

NOTE B: CASH AND CASH EQUIVALENTS - CONTINUED

- 3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
- 4. The United States government or federal agency obligations repurchase agreements.
- 5. Bankers acceptances of United States banks.
- 6. Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities, issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

The Township's cash and cash equivalents at March 31, 2005, are composed of the following:

	Carrying	Bank
	<u>Amount</u>	<u>Balance</u>
Cash		
Checking and savings accounts	<u>\$ 75,832</u>	\$ 169,405

Deposits of the Township are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the Township. As of March 31, 2005, the Township accounts were insured by the FDIC for \$168,027, and the amount of \$1,378 was uninsured.

Due to significantly higher cash flows at certain periods during the year, the amount the Township held as cash increased significantly. As a result, the amount of uninsured and uncollateralized cash was substantially higher at these peak periods than at year end.

As of March 31, 2005, the carrying amount and market values for each investment are as follows:

	Carrying <u>Amount</u>	Market <u>Value</u>
Uncategorized pooled investment funds	\$ 71,624	\$ 71,624

NOTES TO FINANCIAL STATEMENTS

March 31, 2005

NOTE C: CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2005 was as follows:

		ance 1, 2004	<u>Addit</u>	<u>ions</u>	<u>Deletion</u>	<u>s</u>		lance n 31, 2005
Governmental activities Buildings Equipment	\$	73,863 10,494	\$	1,200	\$	<u>-</u>	\$	73,863 11,694
Totals at historical cost		84,357		1,200		-0-		85,557
Less accumulated depreciation for: Buildings Equipment	(73,863) 4,197)	_(2,350)		- <u>-</u>	(73,863) 6,547)
Total accumulated depreciation		78,060)		2,350)		<u>-0-</u>		80,410)
Capital assets, net	\$	6,297	\$(<u>1,150</u>)	\$	0-	\$	5,147

Depreciation expense of \$2,350 was included on the statement of activities under the "general government" function.

NOTE D: LONG-TERM DEBT

The following is a summary of changes in long term debt (including current portion) of the Township for the year ended March 31, 2005:

	Balance <u>April 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	Balance March 31, 2005	Due Within One Year
PRIMARY GOVERNMENT Governmental activities Notes payable	\$ 558,67 <u>9</u>	<u>\$</u>	<u>\$ 52,048</u>	<u>\$ 506,631</u>	\$ 54,287

Significant details regarding outstanding long-term debt (including current portions) are presented below:

The Members of the Township Board of the Township of Eagle are party to two (2) long-term debt loan agreements. The proceeds of these promissory notes were used to finance thirty-five percent of the costs of a Looking Glass Regional Fire Authority capital project.

Notes payable at March 31, 2005 for the governmental activities are as follows:

\$500,000 Capital Project note payable dated September 1, 2002, due in monthly installments ranging from \$3,701 to \$4,141 through August 1, 2007, with interest of 3.38 percent. A balloon payment of \$271,014 is due at maturity.	\$	386,992
\$130,000 Capital Project note payable dated August 12, 2003, due in monthly installments ranging from \$608 to \$668 through August 10, 2008, with interest of 2.81 percent. A balloon payment of \$93,460 is due at maturity.	_	119,639
	\$	506,631

NOTES TO FINANCIAL STATEMENTS

March 31, 2005

NOTE D: LONG-TERM DEBT - CONTINUED

Direct Township Obligations

Year Ending March 31,	<u> </u>	<u>Principal</u>	<u>lr</u>	<u>nterest</u>	<u>Total</u>		
2006 2007 2008 2009	\$	54,287 55,852 299,709 96,783	\$	15,593 13,784 6,824 1,337	\$ 69,880 69,636 306,533 98,120		
	\$	506,631	\$	37,538	\$ 544,169		

NOTE E: RETIREMENT PLAN

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account and the returns earned on the investments of those contributions. The Eagle Township Pension Plan is administered by The Manufacturers Life Insurance Company.

The Township is required to contribute \$200 per \$1,000 of compensation paid for all eligible employees. Contributions to the pension plan by the Township for the year ended March 31, 2005, were \$10,000.

NOTE F: RISK MANAGEMENT

The Township is exposed to various risks of loss for workers' compensation for which the Township carries commercial insurance.

The Township also participates in a pool, the Michigan Township Participating Plan, with other municipalities for property, liability, wrongful acts, auto, crime, in-land marine, and bonding losses. The pool is organized under Public Act 138 of 1982, as amended. The Township has no liability for additional assessments based on the claims filed against the pool nor do they have any right to dividends.

NOTE G: FUND EQUITY RESERVES

Reserved fund balance is used to earmark a portion of fund equity to indicate that it is not appropriate for expenditure or has been legally segregated for a specific future use.

The following is the fund balance reserve as of March 31, 2005:

General Fund Reserved for: Prepaid expenditures

1,952

NOTES TO FINANCIAL STATEMENTS

March 31, 2005

NOTE H: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Michigan Public Act 621 of 1978, Section 18 and 19, as amended, provides that a local governmental unit not incur expenditures in excess of the amount appropriated.

In the required supplementary information to the financial statements, the Township's budgeted expenditures in the General and major Special Revenue Fund have been shown at the functional classification level. The approved budgets of the Township have been adopted at the activity level for the General Fund and the total expenditures level for the Special Revenue Fund.

During the year ended March 31, 2005, the Township incurred expenditures in the METRO Act Fund in excess of the amounts appropriated as follows:

	Amounts <u>Appropriate</u>	Amounts Appropriated			<u>Variance</u>		
METRO Act Fund Public Works	\$	_	\$	5,484	\$	5,484	

REQUIRED SUPPLEMENTARY INFORMATION

General Fund

BUDGETARY COMPARISON SCHEDULE - REVENUES

	Budgeted Amounts Original Final							iance with al Budget	
Tavaa		Juginai		Filiai		Actual	(Negative)		
Taxes Current and delinquent property taxes Trailer tax Administrative fee	\$	77,435 100 23,157	\$	77,435 100 23,157	\$	85,332 156 25,637	\$	7,897 56 2,480	
Total taxes		100,692		100,692		111,125		10,433	
Licenses and permits Franchise fees		1,500		1,500		2,321		821	
Intergovernmental - State State shared revenue		144,000		144,000		150,456		6,456	
Charges for services Land division		1,000		1,000		1,350		350	
Interest and rents									
Interest		2,000		2,000		3,195		1,195	
Rents		1,500		1,500		2,160		660	
Total interest and rents		3,500		3,500		5,355		1,855	
Other									
Refunds and reimbursements		900		900		-		(900)	
Miscellaneous		50		50		10,714		10,664	
Total other		950		950		10,714		9,764	
TOTAL REVENUES	\$	251,642	\$	251,642	\$	281,321	\$	29,679	

General Fund

BUDGETARY COMPARISON SCHEDULE - EXPENDITURES BY ACTIVITY

	Budgeted Amounts							riance with nal Budget Positive
	(Original		Final		Actual		Negative)
EXPENDITURES								
General government								
Legislative	\$	15,800	\$	18,750	\$	17,613	\$	1,137
Supervisor		19,500		19,500		12,681		6,819
Assessor		56,000		56,000		39,610		16,390
Clerk		14,500		14,500		14,500		-0-
Board of review		700		700		472		228
Treasurer		15,400		15,400		15,400		-0-
Township hall		5,400		6,400		5,948		452
Elections		6,000		6,000		3,211		2,789
Cemetery		3,000		3,300		3,284		16_
Total general government		136,300		140,550		112,719		27,831
Public safety								
Emergency management		57,000		32,950		3,475		29,475
Planning commission		433		433				433
Total public safety		57,433		33,383		3,475		29,908
Public works								
Highways and streets		14,000		14,000		9,155		4,845
Drain at large		4,000		5,300		5,279		21
Total public works		18,000		19,300		14,434		4,866
Other		32,050		42,550		41,754		796
Capital outlay		3,000		4,900		4,860		40
Debt service								
Principal		47,200		52,200		52,048		152
Interest		16,600		17,700		17,588		112
Total debt service		63,800		69,900		69,636		264
TOTAL EXPENDITURES	\$	310,583	\$	310,583	\$	246,878	\$	63,705

Emergency Services Fund

BUDGETARY COMPARISON SCHEDULE

		Budgeted	l Amo	ounts			Fir	riance with nal Budget Positive
		Original		Final	Actual			Negative)
REVENUES								
Taxes	\$	145,000	\$	145,000	\$	127,450	\$	(17,550)
Charges for services		2,000		2,000		2,239		239
Interest and rents		350		350		335		(15)
Other								
Reimbursements		10,323		146,854		42,487		(104,367)
TOTAL REVENUES		157,673		294,204		172,511		(121,693)
EXPENDITURES Public safety								
Fire services		93,600		151,200		151,126		74
Health and welfare								
Emergency services		65,000		21,000		20,825		175
TOTAL EXPENDITURES		158,600		172,200		171,951		249
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES		(927)		122,004		560		(121,942)
Fund balance, beginning of year		81,602		81,602		81,602		-0-
Fund balance, end of year	_\$_	80,675	_\$_	203,606	\$	82,162	\$	(121,942)

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OTHER SUPPLEMENTARY IN	NFURIVIA I IUN	

Nonmajor Governmental Funds

COMBINING BALANCE SHEET

March 31, 2005

		Special Revenu Street ME Lights			Permanent Niles Cemetery		Total Nonmajor Governmental Funds	
ASSETS Cash Due from other governmental units -	\$	5,197	\$	-	\$	12,241	\$	17,438
Local		83						83
TOTAL ASSETS	\$	5,280	\$	-0-	\$	12,241	\$	17,521
LIABILITIES AND FUND BALANCES LIABILITIES	\$	142	\$	-	\$	-	\$	142
FUND BALANCES Unreserved - undesignated		5,138				12,241		17,379
TOTAL LIABILITIES AND FUND BALANCES	\$	5,280	\$	-0-	\$	12,241	\$	17,521

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

		Special Revenue Street METRO Lights Act			rmanent Niles emetery	Total Nonmajor Governmental Funds	
REVENUES							
Taxes	\$	1,320	\$	-	\$ -	\$	1,320
Intergovernmental - State		-		4,266	-		4,266
Interest and rents		42		2	 106		150
TOTAL REVENUES		1,362		4,268	106		5,736
EXPENDITURES Public works		1,936		5,484	 		7,420
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES		(574)		(1,216)	106		(1,684)
Fund balances, beginning of year		5,712		1,216	 12,135		19,063
Fund balances, end of year	\$	5,138	\$	-0-	\$ 12,241	\$	17,379

Principals

Dale J. Abraham, CPA Michael T. Gaffney, CPA Steven R. Kirinovic, CPA Aaron M. Stevens, CPA Eric J. Glashouwer, CPA



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MANAGEMENT LETTER

To the Members of the Township Board Township of Eagle Eagle, Michigan

As you know, we have recently completed our audit of the records of the Township of Eagle, Michigan as of and for the year ended March 31, 2005. In connection with the audit, we feel that certain changes in your accounting and administrative procedures would be helpful in improving management's control and the operational efficiency of the accounting and administrative functions. These suggestions are a result of our evaluation of the internal control structure and our discussions with management. These weaknesses are not considered reportable conditions in relation to the basic financial statements of the Township of Eagle, Michigan, but may be areas of possible improvement.

1. The Board of Trustees should consider adopting additional administrative policies and procedures.

During discussions with management, we noted that the Board of Trustees has not formally implemented written procedures and policies for several areas of operation. This issue was noted and reported in our audit comments last year. We believe that by documenting specific policies, employees will have a clearer understanding of the Township's expectations. We also believe that such documentation will provide greater internal control over those areas of operation. Specifically, we suggest that the Board develop, formally adopt, and implement written procedures and policies in the following areas:

- a. <u>Capital Asset Management</u> We suggest that the Board adopt a policy for the disposal of capital assets. The policy should specify that the disposal of capital assets requires formal approval by the Board of Directors. Such approval should be documented in the minutes of the Board meetings.
- b. <u>Electronic Funds Transfer Policy</u> We suggest that the Board adopt a policy for electronic fund transactions. The Township had used electronic fund transfers but did not have the necessary electronic funds policy required by the State of Michigan. The Township should adopt a formal electronic fund transfer policy as soon as possible to comply with State of Michigan requirements.
- 2. The Township should review certain aspects of the budgeting process.

During the course of the audit it was noted that one (1) Special Revenue Fund (METRO Act) did not have an adopted budget. This issue was noted and reported in our audit comments last year.

The Michigan Public Act 621 of 1978, as amended, provides that the Township adopt formal budgets for all General and Special Revenue Funds, and shall not incur expenditures in excess of the amounts appropriated.

We suggest the Township formally adopt and monitor a budget for all Special Revenue Funds.

These conditions were considered in determining the nature, timing, and extent of the audit tests to be applied in our audit of the basic financial statements, and this report does not affect our report on the basic financial statements dated July 8, 2005.

This report is intended solely for the information of management and the Members of the Township Board of the Township of Eagle and is not intended to be used by anyone other than these specified parties.

We wish to express our appreciation for the courtesy and cooperation to us during our audit. We are available to discuss any issues with you and to provide assistance in the implementation of improvements.

alnaham & Golley, P.C.

ABRAHAM & GAFFNEY, P.C. Certified Public Accountants

July 8, 2005